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SUBJECT: Jordan's Garment Association Cites Shortage of Labor as Main Impediment to Growth in Apparel Sector

REFS: A) Mowrey-Pisani Email dated 12/10/07
B) AMMAN 4038
C) AMMAN 3992

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¶1. (U) This contains an action request for USTR. See para 16.

¶2. (SBU) Summary: Jordanian garment exports to the U.S. fell 6.4% during the first nine months of 2007. During a December 13 lunch, the newly elected Board for the Jordan Garments, Accessories, Textiles Exporters' Association (JGATE) cited a shortage of labor as the main reason for the decline, in addition to competition from Egypt. Many claim that factories cannot find local labor because the Qualifying Industrial Zones (QIZ's) are located too far from local communities or for cultural reasons, including the view that sewing is "women's work" and a culture of shame in some communities that frowns on women working outside the home. To overcome this challenge, JGATE has been exploring with the Government of Jordan (GOJ) an idea to establish satellite factories in areas of high female unemployment. End Summary.

JGATE: Promoting the Jordanian Garment Industry

¶3. (SBU) DCM hosted a December 13 lunch with eight newly elected members of the JGATE board, chaired by Farhan Ifram, CEO of El Zay Ready Wear Manufacturing Company. JGATE is a non-profit, private sector association of 35 active members, most of whom own or manage factories in the QIZs. The association aims to increase garment sector competitiveness and expand export capacity in Jordan through activities in networking, attracting investment, professional development, product/manufacturing development, training in export readiness, and advocacy. JGATE has played a role in representing private sector interests with the GOJ on labor. For the past two years, USAID Jordan has provided JGATE approximately \$40,000/year to cover training for their members, as well as travel expenses for JGATE members to attend buyer events in the U.S.

Garment Exports to U.S. Dropping

¶4. (SBU) USITC figures for January-October 2007 show that Jordanian garment exports to the U.S. dropped 6.4% to \$997.6 million, but still represent 86% of Jordan's total exports to the U.S. Ifram noted, however, that the volume of exports fell even further, indicating that Jordan is moving to higher-value goods, which is a

good sign for the sector.

¶15. (SBU) One explanation given for the decline in exports was competition from Egypt. Ifram said that factories manufacturing denim or other water-washed garments have moved to the QIZ's in Egypt, because water is cheaper, sometimes even free. Labor costs in Egypt are also less costly, so competitors can underbid Jordan. He acknowledged, however, Egypt has other problems with on-time deliveries, efficiency, and quality, which has helped Jordan retain a competitive edge in high-end products.

Shortage of Labor

¶16. (SBU) All JGATE members cited lack of labor as the main reason for the fall in garment exports (Ref B). As of August 31, 2007, there were 36,634 migrant and 15,212 Jordanian workers in the QIZs, compared to 36,149 migrant and 17,928 Jordanian workers in April ¶2006.

¶17. (SBU) JGATE factory owners expressed an interest in hiring local labor, which costs significantly less than foreign workers, but said that they have not been able to attract new Jordanian workers to their factories. Dana Bayyat, Executive Director of CCKM Apparel, said that her factory's business had actually expanded, with the recent addition of a new buyer - Fruit-of-the-Loom - for the first time in Jordan. She tried to get 300 additional local workers but failed. Approval was also still pending for foreign worker permits.

She worried that she was not going to get the labor needed to fill the orders and feared turning away business, noting that the "buyers won't come back a second time."

¶18. (SBU) Given the high rate of unemployment in Jordan, officially estimated at 14%, the lack of Jordanian employment in apparel is often perceived as cultural. There is a prevailing "culture of shame," especially in rural areas home to the QIZs, that frowns on women working outside the home and mingling with men. As an

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example, one factory owner noted that fathers generally want their daughters home before dark, which is 5pm in the winter time and not feasible given the commute time to the remotely located QIZ's. Mohammad Khourma, the CEO of PrimeFive Garment Manufacturing Company, related that he held an open house for families after one young woman told him she wanted a job, but her family objected. After the event, he hired her, and eventually three of her sisters also started working in the factories. The four of them pooled their earnings to send their brother to university.

¶19. (SBU) Other JGATE members noted that male pride prevents many young, male Jordanian workers from admitting they work in a garment factory, especially if they are involved in garment construction. In contrast to South Asia where most of the tailors are men, for Jordanians, sewing is "women's work." All also agreed that socializing is a big part of the Jordanian work environment, and most do not want to sit at a machine and be required to do precise work. One JGATE member stated that, despite the lower salaries, Jordanian factory workers prefer to be in the warehouse where they can gossip, drink tea, and have the occasional smoke, but then complain they are relegated to the lower paying jobs.

¶110. (SBU) Another claimed, however, that the Ministry of Labor would not approve permits for foreign workers to do the packaging or other lower skilled jobs, so the factories have to fill those positions with Jordanians. Factory owners have also experienced high turnover among Jordanians, who are often on the lookout for better opportunities in the government or white-collar jobs in Jordan's developing knowledge-based economy. As a result, factories remain hesitant to put Jordanians in critical jobs if they might not be around the following month. Despite these obstacles, Dina Khayyat, Managing Director of Ad-Dulayl QIZ, noted that the culture is slowly starting to change. She pointed to college kids working part time at McDonald's, something that would have never happened when she was young.

¶11. (SBU) Given the lack of local labor, JGATE members continue to see the foreign labor pool as the near-term solution. They bemoaned the excessively bureaucratic process of hiring foreign labors in Jordan, which normally takes three to four months. Samir Maqdah, of Central Clothing Company, identified a "chicken-egg" problem, explaining that factories cannot hire the additional workers unless there are more orders, but the orders depend on the additional workers, who normally cannot come on board until months after the paperwork is filed.

¶12. (SBU) In the case of Century Tailoring, Plant Manager Adnan Ismail said has been waiting almost six months for MOL approval of about 100 Indian workers, because the GOJ failed to tell him about a needed MOU with the Indian government, even though the MOL had already accepted \$7,000 in guest worker application fees. In a separate December 12 meeting with Econcouns, the owner of Eam Maliban factory also said that the MOL had not approved a sufficient number of guest workers for his factory, because MOL counted only the number of empty machines and did not take into account the regular turnover and the number of contracts that will end in the near future.

¶13. (SBU) Indeed, Minister of Labor Bassem Salem, who retained his portfolio in the recent Cabinet shuffle, has suggested in the past that a more difficult process for hiring guest workers might encourage hiring local labor. Earlier in the year, it was rumored that there was an unofficial ban against hiring more Bangladeshi guest workers, but as of September 30, the MOL told post that it had approved 300 new guest worker applications in 2007.

How to Maintain Growth

¶14. (SBU) One idea to reduce the dependency on foreign workers and increase local labor is to have already-established investors in the QIZ's build satellite factories in areas of high female unemployment (Ref C). JGATE has been working on this satellite factory concept with the GOJ. Details are still being worked out, but Maqdah indicated that some of the satellite factories might have complete production lines, while others might only do components, such as cutting or packaging, with the rest of the production done in the main QIZ factories. Salem told the Ambassador December 17 that the GOJ had identified six plots of land, some with existing structures, for factory expansion and was looking for private sector partners. He said the GOJ was committed to expansion and job creation, and

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would export items under the FTA agreement if the QIZ satellite proposal was not feasible.

¶15. (SBU) All acknowledged that if Jordan is to remain competitive, manufacturers will need to develop the capacity to deliver higher value-added products (Ref B). This may require greater integration of information technology (IT) in production. When asked whether Jordan could add some cultural design to its products, most said that design was a weak area in Jordan's garment sector. The Italians had helped with a design center but it achieved little beyond pattern-making. Maqdah noted, however, that orders for Islamic dress from Europe and the U.S. have been increasing.

¶16. (SBU) Comment and Action Requested: Increasing the number of Jordanian workers in the garment sector has been a post priority, and the focus of a number of USAID competitiveness programs. We applaud the initiative of the GOJ and the private sector to develop innovative ideas and partnerships to increase employment in this industry and would like to be as supportive as possible. Per Refs A and C, post requests feedback from USTR on the necessary conditions for satellite factories to qualify as QIZ designations.

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